



ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 52

EPA-R08-OAR-2012-0846; FRL- 9751-5

Approval and Promulgation of Air Quality Implementation Plans; Montana; Revisions to the Administrative Rules of Montana – Air Quality, Subchapter 7, Subchapter 16 and Subchapter 17

AGENCY: Environmental Protection Agency (EPA).

ACTION: Proposed rule.

SUMMARY: EPA is proposing to approve new rules and revisions as submitted by the State of Montana on September 23, 2011, as revisions to Montana's State Implementation Plan. Montana adopted these rules on December 2, 2005, and March 23, 2006. The new rules adopted on December 2, 2005, became state-effective on January 1, 2006; the new rules and revisions adopted on March 23, 2006, became state-effective on April 7, 2006. These new rules and revisions meet the requirements of the Clean Air Act and EPA's minor new source review regulations. The intended effect of this action is to propose to approve these rules as they are consistent with the Clean Air Act. This action is being taken under section 110 of the Clean Air Act.

DATES: Comments must be received on or before [insert date 30 days after publication in the Federal Register].

ADDRESSES: Submit your comments, identified by Docket ID No. EPA-R08-OAR-2012-0846, by one of the following methods:

- www.regulations.gov. Follow the on-line instructions for submitting comments.
- E-mail: daly.carl@epa.gov and leone.kevin@epa.gov

- Fax: (303) 312-6064 (please alert the individual listed in the **FOR FURTHER INFORMATION CONTACT** if you are faxing comments).
- Mail: Carl Daly, Director, Air Program, Environmental Protection Agency (EPA), Region 8, Mailcode 8P-AR, 1595 Wynkoop Street, Denver, Colorado 80202-1129.
- Hand Delivery: Carl Daly, Director, Air Program, Environmental Protection Agency (EPA), Region 8, Mailcode 8P-AR, 1595 Wynkoop Street, Denver, Colorado 80202-1129. Such deliveries are only accepted Monday through Friday, 8:00 a.m. to 4:30 p.m., excluding Federal holidays. Special arrangements should be made for deliveries of boxed information.

Instructions: Direct your comments to Docket ID No. EPA-R08-OAR-2012-0846.

EPA's policy is that all comments received will be included in the public docket without change and may be made available online at www.regulations.gov, including any personal information provided, unless the comment includes information claimed to be Confidential Business Information (CBI) or other information whose disclosure is restricted by statute. Do not submit information that you consider to be CBI or otherwise protected through www.regulations.gov or e-mail. The www.regulations.gov web site is an "anonymous access" system, which means EPA will not know your identity or contact information unless you provide it in the body of your comment. If you send an e-mail comment directly to EPA, without going through www.regulations.gov, your e-mail address will be automatically captured and included as part of the comment that is placed in the public docket and made available on the Internet. If you submit an electronic comment, EPA recommends that you include your name and other contact information in the body of your comment and with any disk or CD-ROM you submit. If EPA cannot read your comment due to technical difficulties and cannot contact you for clarification,

EPA may not be able to consider your comment. Electronic files should avoid the use of special characters, any form of encryption, and be free of any defects or viruses. For additional information about EPA's public docket visit the EPA Docket Center homepage at <http://www.epa.gov/epahome/dockets.htm>. For additional instructions on submitting comments, go to Section I. General Information of the **SUPPLEMENTARY INFORMATION** section of this document.

Docket: All documents in the docket are listed in the www.regulations.gov index. Although listed in the index, some information is not publicly available, e.g., CBI or other information whose disclosure is restricted by statute. Certain other material, such as copyrighted material, will be publicly available only in hard copy. Publicly-available docket materials are available either electronically in www.regulations.gov or in hard copy at the Air Program, Environmental Protection Agency (EPA), Region 8, 1595 Wynkoop Street, Denver, Colorado 80202-1129. EPA requests that if at all possible, you contact the individual listed in the **FOR FURTHER INFORMATION CONTACT** section to view the hard copy of the docket. You may view the hard copy of the docket Monday through Friday, 8:00 a.m. to 4:00 p.m., excluding Federal holidays.

FOR FURTHER INFORMATION CONTACT: Kevin Leone, Air Program, Mailcode 8P-AR, Environmental Protection Agency, Region 8, 1595 Wynkoop Street, Denver, Colorado 80202-1129, (303) 312-6227, or leone.kevin@epa.gov.

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Definitions

For the purpose of this document, we are giving meaning to certain words or initials as follows:

- (i) The words or initials Act or CAA mean or refer to the Clean Air Act, unless the context indicates otherwise.
- (ii) The initials ARM mean or refer to the Administrative Rule of Montana.
- (iii) The words EPA, we, us or our mean or refer to the United States Environmental Protection Agency.
- (iv) The initials MACT mean Maximum Achievable Control Technology
- (v) The initials MAQP mean Montana Air Quality Permit
- (vi) The initials MRR mean Monitoring, Reporting and Recordkeeping
- (vii) The initials NAAQS mean National Ambient Air Quality Standards
- (viii) The initials NESHAP mean National Emission Standards for Hazardous Air Pollutants
- (ix) The initials NSR mean or refer to new source review, a phrase intended to encompass the stationary source regulatory programs that regulate the construction and modification of stationary sources as provided under CAA section 110(a)(2)(C), CAA Title I, parts C and D, and 40 CFR 51.160 through 51.166, which includes new source review for both major and minor sources.
- (x) The word Program mean or refer to the Montana Oil and Gas Registration Program, unless the context indicates otherwise.

- (xi) The initials SIP mean or refer to State Implementation Plan.
- (xii) The words State or Montana mean the State of Montana, unless the context indicates otherwise.

I. General Information

A. What Should I Consider as I Prepare My Comments for EPA?

1. *Submitting CBI.* Do not submit this information to EPA through www.regulations.gov or e-mail. Clearly mark the part or all of the information that you claim to be CBI. For CBI information in a disk or CD ROM that you mail to EPA, mark the outside of the disk or CD ROM as CBI and then identify electronically within the disk or CD ROM the specific information that is claimed as CBI. In addition to one complete version of the comment that includes information claimed as CBI, a copy of the comment that does not contain the information claimed as CBI must be submitted for inclusion in the public docket. Information so marked will not be disclosed except in accordance with procedures set forth in 40 CFR part 2.

2. *Tips for Preparing Your Comments.* When submitting comments, remember to:

- a. Identify the rulemaking by docket number and other identifying information (subject heading, Federal Register date and page number).
- b. Follow directions - The agency may ask you to respond to specific questions or organize comments by referencing a Code of Federal Regulations (CFR) part or section number.
- c. Explain why you agree or disagree; suggest alternatives and substitute language for your requested changes.
- d. Describe any assumptions and provide any technical information and/or data that you used.

- e. If you estimate potential costs or burdens, explain how you arrived at your estimate in sufficient detail to allow for it to be reproduced.
- f. Provide specific examples to illustrate your concerns, and suggest alternatives.
- g. Explain your views as clearly as possible, avoiding the use of profanity or personal threats.
- h. Make sure to submit your comments by the comment period deadline identified.

II. What is Being Addressed in This Proposed Action?

On September 23, 2011 the State of Montana submitted new rules and revisions to revise the Montana SIP. The submission contains new rules I – VI, codified as Administrative Rule of Montana (ARM) 17.8.1601, 17.8.1602, 17.8.1603, 17.8.1604, 17.8.1605, and 17.8.1606, pertaining to the regulation of oil and gas well facilities. EPA is proposing to approve these new rules in this notice. The Montana Board of Environmental Review (Board) adopted these new rules to the existing SIP on December 2, 2005.

This submission also contains new rules I – IX, codified as ARM 17.8.1701, 17.8.1702, 17.8.1703, 17.8.1704, 17.8.1705, 17.8.1710, 17.8.1711, 17.8.1712 and 17.8.1713 pertaining to the regulation of oil and gas well facilities. EPA is proposing to approve these rule submissions in this action. The Board adopted these new rules to the existing SIP on March 23, 2006.

This submission contains revisions to ARM 17.8.744 which were adopted on March 23, 2006. The proposed revisions to ARM 17.8.744 are a conforming change because of the addition of new rules.

The proposed approval of the revised and new rules listed above would establish a registration system for oil and gas well facilities that presently require a Montana minor NSR air quality permit under the SIP regulations. The proposed new rules would allow the owner or

operator of an oil or gas well facility to register with the Montana Department of Environmental Quality (MDEQ) in lieu of submitting a permit application and obtaining a permit to construct or modify the source before commencing construction or modification. Currently, with specific exemptions, the administrative rules adopted under the Montana Clean Air Act and approved by the EPA into the SIP, require the owner or operator of sources of air pollution to obtain a permit prior to construction or modification.

Montana originally submitted these rules on October 16, 2006 and November 1, 2006, to EPA for inclusion into the SIP. EPA proposed to disapprove these submittals on January 6, 2011 (76 FR 758). EPA had several concerns with the Program, as was explained in 76 FR 758. In March of 2011, the State withdrew the October 16, 2006, and November 1, 2006, submittals and, after several discussions between EPA and the State, Montana resubmitted the oil and gas rules on September 23, 2011. The State's September 2011 submittal included a revised CAA section 110(l) demonstration and other supplemental data, which addressed the concerns we raised in our 76 FR 758 proposed action.

III. What Authorities Apply to EPA's Proposed Action

Section 110(l) of the CAA states, "[e]ach revision to an implementation plan submitted by a State under this Act shall be adopted by such State after reasonable notice and public hearing. The Administrator shall not approve a revision to a plan if the revision would interfere with any applicable requirement concerning attainment and reasonable further progress (as defined in section 171), or any other applicable requirement of this Act."

A demonstration is necessary to show that this revision will not interfere with attainment or maintenance of the NAAQS, including those for ozone, particulate matter, carbon monoxide, sulfur dioxide, lead, nitrogen oxides or any other requirement of the Act. Therefore, EPA will

approve a SIP revision only after a state has demonstrated that such a revision will not interfere (“noninterference”) with attainment of the NAAQS, rate of progress, reasonable further progress or any other applicable requirement of the CAA.

The CAA at section 110(a)(2)(C) requires states to include a minor NSR program in their SIP to regulate modifications and new construction of stationary sources within the area as necessary to assure the NAAQS are achieved. EPA's implementing regulations at 40 CFR 51.160-164 are intended to ensure that new source growth is consistent with maintenance of the NAAQS and 40 CFR 51.160(e) requires states to identify types and sizes of facilities which will be subject to review under their minor NSR program. For sources identified under 40 CFR 51.160(e), section 51.160(a) requires that the SIP include legally enforceable procedures that enable a state or local agency to determine whether construction or modification of a facility, building, structure or installation, or combination of these will result in a violation of applicable portions of the control strategy; or interference with attainment or maintenance of a national standard in the state in which the proposed source (or modification) is located or in a neighboring state. Section 110(i) of the CAA specifically precludes states from changing the requirements of the SIP except through SIP revisions approved by EPA. SIP revisions will be approved by EPA only if they meet all requirements of section 110 of the CAA and the implementing regulations at 40 CFR part 51. See CAA section 110(l); 40 CFR 51.104.

EPA has also issued several guidance memoranda that explain the Agency's requirements for practicable enforceability for purposes of effectively limiting a source's potential to emit (See docket).

EPA recognizes that, under the applicable federal regulations, states have broad discretion to determine the scope of their minor NSR programs as needed to attain and maintain

the NAAQS. A state may tailor its minor NSR requirements as long as they are consistent with the requirements of 40 CFR part 51. States may also provide a rationale for why the rules are at least as stringent as the 40 CFR part 51 requirements where the revisions are different from those in 40 CFR part 51.

Since there are no ambient air quality standards for air toxics, the area's compliance with any applicable maximum achievable control technology (MACT) standards, as well as, any federal mobile source control requirements under CAA sections 112 or 202(l) would constitute an acceptable demonstration of noninterference for air toxics.

Section 110(l) does not require a demonstration of noninterference for changes to federal requirements that are not included in the SIP. A revision to the SIP, however, cannot interfere with any federally mandated program such as a MACT standard (or related section 112 requirements).

IV. EPA's Review and Proposed Action on SIP Revisions

EPA is proposing to approve the new and revised rules as submitted by Montana on September 23, 2011, as identified above.

As discussed above, any minor NSR SIP revision submittal must meet section 110(l) of the CAA. Section 110(l) of the Act indicates that EPA cannot approve a revision of a plan if the revision would interfere with any applicable requirement concerning attainment and reasonable further progress (as defined in Section 171), or any other applicable requirement of the Act. In a memo from Richard R. Long, Director, Region 8 Air and Radiation Program, to the Montana Board of Environmental Review on January 30, 2006 (see docket) we stated that MDEQ should provide an appropriate analysis showing that the proposed new rules will not impact the NAAQS or prevention of significant deterioration (PSD) increments. One of the concerns EPA expressed

in 76 FR 758 related to the cumulative effect of numerous registration sources. We recommended that MDEQ perform a screening cumulative impact analysis showing what effect oil and gas well facilities would have on the ozone, NO₂, SO₂ and PM NAAQS and PSD increments. MDEQ performed such an analysis. (See docket, demonstration of noninterference pages 1-42 and attachments 1-11.) MDEQ's analysis went back prior to 2006, when Montana began implementing the Oil and Gas Registration Program as a state-approved rule, and provided data on the amount of oil and gas registration applications received. Monitoring and modeling data for all NAAQS pollutants from 2006 to present shows that the Oil and Gas Registration Program has not interfered with attainment or maintenance of any NAAQS, PSD increment, or any other requirement of the Act. Therefore, EPA has sufficient information to determine that the proposed new and revised rules would not interfere with any applicable requirement concerning attainment and maintenance of the NAAQS, PSD increments, or any other requirement of the Act.

EPA expressed concerns in 76 FR 758 that the new rules do not meet the requirements of CAA Section 110(a)(2)(A) and 40 CFR 51.160(a)(1), which require that SIP revision submittals be enforceable. The September 23, 1987, Memorandum from J. Craig Potter, Assistant Administrator for Air and Radiation, and Thomas L. Adams Jr., Assistant Administrator for Enforcement and Compliance Monitoring, entitled "Review of State Implementation Plans and Revisions for Enforceability and Legal Sufficiency" provides EPA's guidance for interpreting this provision in the Act.

EPA initially viewed the new rules as a stand-alone program, which was not subject to provisions in the other parts of ARM 17.8. As such, we were concerned that the new and revised rules did not set forth legally enforceable procedures that would enable the State or local agency

to determine whether construction of a minor source facility would result in interference with attainment or maintenance of the NAAQS (40 CFR 51.160(a)) and that such procedures did not include a means by which the State or local agency to prevent construction of a minor source facility if it would result in interference with attainment or maintenance of the NAAQS (40 CFR 51.160(b)). In 76 FR 758, EPA did not consider other requirements in ARM 17.8 as being applicable to the Program. However, after reviewing the State's 110(l) demonstration and the requirements in ARM 17.8, it is clear that the rules in ARM 17.8 subchapters 1 - 6 and portions of subchapter 7 apply to the State's new rules for oil and gas facilities registration. (See 110(l) demonstration pages 2-9 and attachments 2 and 3 of the state's 110(l) analysis.) These subchapters provide, for example, testing requirements, source testing protocol, malfunction procedures, enforcement procedures, and specific ambient air monitoring requirements for criteria pollutants. Therefore, the new and revised rules which we are proposing for approval in this notice are in compliance with CAA Section 110(a)(2)(A), 40 CFR 51.160(a) and 40 CFR 51.160(b).

EPA also had concerns that a source did not need to provide notice to the State before construction begins. The new and revised rules allow sources to operate and emit criteria pollutants up to 60 days before submitting a registration or permit application; therefore there is no requirement that the State be notified before construction begins. However, the new rules in ARM 17.8.16 contain numerous safeguards that facilities must operate under until the MDEQ approves the registration or permit application. These safeguards include: limiting production; limiting hours of operation and/or fuel consumption to ensure that the facility's potential to emit is below major source thresholds (17.8.1604); emission control requirements (17.8.1605); inspection and repair requirements (17.8.1608); and reporting and recordkeeping requirements

(17.8.1609). Sources must also comply with requirements in ARM 17.8.1 (general requirements), ARM 17.8.2 (ambient standards), and ARM 17.8.3 (emission standards), in addition to all other applicable requirements in ARM 17.8. Therefore, EPA concludes that the new and revised rules do not violate 40 CFR 51.160(a) and 40 CFR 160(b).

EPA also had concerns that the Program did not include the necessary monitoring, reporting and recordkeeping (MRR) requirements required for an oil and gas registration program to ensure accountability and provide a means to determine compliance. However, EPA did not consider the requirements of other subchapters of chapter 8 when considering MRR requirements. As described in the State's submittal (110(l) demonstration, Table 1 (pages 3-15) and Table 2 (pages 18-21), the MRR requirements in ARM 17.8.1 (General Requirements), ARM 17.8.2 (Ambient Air Quality), ARM 17.8.3 (Emission Standards) are all applicable to registered sources, in addition to the MRR requirements in ARM 17.8.1605 and ARM 17.8.1713. Therefore, EPA proposes to find that the MRR requirements for a registered oil and gas facility are at least as stringent as what would be required for an oil and gas facility that would operate under a Montana Air Quality Permit (MAQP). The SIP approved MAQP rules contain no specific MRR requirements. Instead, a permitted facility is given MRR requirements through the actual permit. In existing MAQP regulations (ARM 17.8.7), the MRR requirements are specified in the facility permit pursuant to a case-by-case best available control technology analysis rather than uniform rule conditions.

EPA also finds that the regulatory provisions in 40 CFR 51.160(c), 40 CFR 51.160(d), 40 CFR 51.160(e) and 40 CFR 51.160(f), are met by the requirements in ARM 17.8.1703 (Registration Process and Information), ARM 17.8.1705 (Operating Requirements: Facility-Wide) and the requirements in ARM 17.8.1. The MDEQ issued a Notice of Public Hearing and

allowed for public comment (see submittal, tabs 19 and 20), which meets the requirements in 40 CFR 51.161 (public availability of information). The requirements in 40 CFR 51.164 (stack height procedures) are met in ARM 17.8.4 (stack heights and dispersion techniques).

EPA also expressed concerns in 76 FR 758 with new rule ARM 17.8.1703(7), which provides that “The owner or operator of a registration eligible facility for which a valid MAQP has been issued may register with the department and request a revocation of the MAQP.” In 76 FR 758, EPA concluded this was a relaxation under CAA section 110(l), because it provides an exemption from SIP requirements not previously available to sources. This SIP relaxation would create a risk of interference with attainment and maintenance of the NAAQS and control strategy. EPA lacked sufficient information to determine that 17.8.1703(7) would not interfere with attainment and maintenance of the NAAQS, PSD increment, or any other requirement of the Act.

Montana issued approximately 30 MAQPs to oil and gas well facilities prior to implementing the oil and gas registration program. A comparison of MAQP requirements and registration requirements (see the state’s 110(l) analysis, pages 19-21) show comparable requirements.

EPA also expressed concerns in 76 FR 758 with new rule ARM 17.8.1712(1), which provides that, “[l]eak detection methods may incorporate the use of sight, sound, or smell.” After further review, we propose to find that this language is approvable because ARM 17.8.1712(1) is similar to EPA regulatory requirements in 40 CFR part 63, subpart BBBBBB and will not interfere with any applicable requirements of the Act. EPA notes that 40 CFR part 63, subpart BBBBBB provides similar leak detection methods using sight, sound, and smell. This regulation applies to area sources under the National Emission Standards for Hazardous Air

Pollutants (NESHAPs) for Source Category: Gasoline Distribution Bulk Terminals, Bulk Plants, and Pipeline Facilities. EPA determined for this source category it was appropriate to allow leak detection methods using sight, sound, and smell.

V. Summary of Proposed Action

EPA is proposing to approve revisions to ARM 17.8.744 and new rules I – VI, codified as ARM 17.8.1601, 17.8.1602, 17.8.1603, 17.8.1604, 17.8.1605, and 17.8.1606, pertaining to the regulation of oil and gas well facilities, and new rules I – IX, codified as ARM 17.8.1701, 17.8.1702, 17.8.1703, 17.8.1704, 17.8.1705, 17.8.1710, 17.8.1711, 17.8.1712 and 17.8.1713 pertaining to the regulation of oil and gas well facilities, as submitted by the State of Montana on September 23, 2011.

EPA is proposing to approve the new and revised rules as identified in this action and EPA is proposing approval based upon sufficient information to determine that the requested revision to add the new oil and gas registration program to the Montana SIP will not interfere with any applicable requirement concerning attainment and reasonable further progress as required by CAA Section 110(l), or any other requirement of the Act. The new and revised rules comply with section 110(a)(2)(C), which requires states to include a minor NSR program in their SIP to regulate modifications and new construction of stationary sources within the area as necessary to assure the NAAQS are achieved. EPA also finds the new and revised rules comply with 40 CFR 51.160 - 40 CFR 51.164 and meet the requirements for appropriate MRR. EPA is also proposing to approve ARM 17.8.744 as these revisions are conforming changes to the addition of new rules.

VI. Statutory and Executive Order Reviews

Under the Clean Air Act, the Administrator is required to approve a SIP submission that

complies with the provisions of the Act and applicable Federal regulations 42 U.S.C. 7410(k); 40 CFR 52.02(a). Thus, in reviewing SIP submissions, EPA's role is to approve state choices, provided that they meet the criteria of the CAA. Accordingly, this proposed action merely approves state law as meeting Federal requirements and does not impose additional requirements beyond those imposed by state law. For that reason, this action:

- is not a "significant regulatory action" subject to review by the Office of Management and Budget under Executive Order 12866 (58 FR 51735, October 4, 1993);
- does not impose an information collection burden under the provisions of the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*);
- is certified as not having a significant economic impact on a substantial number of small entities under the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*);
- does not contain any unfunded mandate or significantly or uniquely affect small governments, as described in the Unfunded Mandates Reform Act of 1995 (Public Law 104-4);
- does not have Federalism implications as specified in Executive Order 13132 (64 FR 43255, August 10, 1999);
- is not an economically significant regulatory action based on health or safety risks subject to Executive Order 13045 (62 FR 19885, April 23, 1997);
- is not a significant regulatory action subject to Executive Order 13211 (66 FR 28355, May 22, 2001);

- is not subject to requirements of Section 12(d) of the National Technology Transfer and Advancement Act of 1995 (15 U.S.C. 272 note) because application of those requirements would be inconsistent with the Clean Air Act; and
- does not provide EPA with the discretionary authority to address, as appropriate, disproportionate human health or environmental effects, using practicable and legally permissible methods, under Executive Order 12898 (59 FR 7629, February 16, 1994).

In addition, this rule does not have tribal implications as specified by Executive Order 13175 (65 FR 67249, November 9, 2000), because the SIP is not approved to apply in Indian country located in the State, and EPA notes that it will not impose substantial direct costs on tribal governments or preempt tribal law.

List of Subjects in 40 CFR Part 52

Environmental protection, Air pollution control, Carbon monoxide, Incorporation by reference, Intergovernmental relations, Lead, Nitrogen dioxide, Ozone, Particulate matter, Reporting and recordkeeping requirements, Sulfur oxides, Volatile organic compounds, New Source Review, Minor New Source Review, permitting, Incorporation by reference.

Authority: 42 U.S.C. 7401 *et seq*

Dated: October 19, 2012.

James B. Martin,
Regional Administrator,
Region 8.

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